

Message Text

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C O N F I D E N T I A L SECTION 1 OF 7 LA PAZ 4110

E.O. 11652: GDS
TAGS: OVIP, BL
SUBJECT: UNDER SECRETARY NEWSOM'S VISIT TO LA PAZ - BACKGROUND
PART II

REF: STATE 128540

1. MEETING WITH ACTING FOREIGN MINISTER AND INTERIOR MINISTER
ARMY GENERAL GUILLERMO JIMENEZ - AGE 51. (THE FOREIGN MINISTER,
AIR FORCE GENERAL OSCAR ADRIAZOLA, IS IN NEW YORK AT THE SSOD
MEETING). MAY 26, 11:00 A.M.

COURTLY, AND SOFT SPOKEN, JIMENEZ HAS PROVED TO BE A TOUGH,
BUT POLITICALLY INEPT, INTERIOR MINISTER. A MILITARY ENGINEER
BY TRAINING, JIMENEZ IS SAID TO FEEL OUT OF HIS DEPTH AS INTERIOR
MINISTER, AND ANXIOUS TO RETURN TO PURELY MILITARY DUTIES. HE
IS LOYAL TO BANZER AND REPUTEDLY STRONGLY INFLUENCED BY BANZER'S
CLOSE ADVISORS. HE PERCEIVES THE RADICAL LEFT TO BE A STRONG
THREAT TO BOLIVIA.

JIMENEZ IS A KEY OFFICIAL FOR US BECAUUSE HIS MINISTRY
ADMINISTERS THE NARCOTICS ENFORCEMENT PROGRAM AND ALSO HANDLES
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THE ARREST, PROSECUTION AND INCARCERATION OF US CITIZENS
ARRESTED ON NARCOTICS CHARGES. HE IS ALSO KEY TO THE ELECTION
PROCESS BECAUSE HE IS RESPONSIBLE FOR INTERNAL LAW AND ORDER AND
HE NAMES THE NOTARIES WHO WILL AUTHENTICATE THE BALLOT COUNTS.
WE HAVE EXCELLENT RELATIONS AT THE WORKING LEVEL WITH HIS
MINISTRY BUT JIMENEZ HAS BEEN MUCH LESS EFFECTIVE THAN HIS
PREDECESSOR, JUAN PEREDA, IN MOVING FORWARD WITH NARCOTICS

ENFORCEMENT AND SOLUTIONS TO THE TREATMENT OF US CITIZEN PRISONERS. WE WISH TO FOCUS ON THE INTERIOR MINISTER ASPECTS OF JIMENEZ'S RESPONSIBILITIES IN YOUR CONVERSATION WITH HIM.

TALKING POINTS

ON THE ELECTION PROCESS. WE RECOGNIZE THE IMPORTANT RESPONSIBILITY MINISTER JIMENEZ WILL HAVE IN MAINTAINING A PEACEFUL CLIMATE FOR ELECTIONS AND ASSURING THAT THEY ARE FAIR AND HONEST. WE EXPRESS OUR BEST HOPES THAT HE WILL DISCHARGE THIS ROLE WITH HIS USUAL CAPABILITY AND HELP BRING THE NATION SAFELY TO ESTABLISHMENT OF DEMOCRATIC GOVERNMENT. TO DO SO WILL BE A SIGNIFICANT MARK OF ACHIEVEMENT FOR BOLIVIA WHICH WILL GREATLY ENHANCE THE NATION'S INTERNATIONAL IMAGE AND PRESTIGE.

ON US/BOLIVIA RELATIONS. AS THE MINISTER IS AWARE, THERE ARE NO CONTENTIOUS PROBLEMS IN US/BOLIVIAN RELATIONS. WE ARE COOPERATING ON A HOST OF MATTERS, INCLUDING OUR SUPPORT FOR BOLIVIA'S ECONOMIC AND SOCIAL DEVELOPMENT, ON TRADE, AND ON UN SECURITY MATTERS (BOLIVIA HAS A SEAT ON THE UN SECURITY COUNCIL). WE ENCOURAGE BOLIVIA TO CONTINUE USING DIPLOMACY AND INTERNATIONAL FORA TO ACHIEVE ITS FOREIGN POLICY GOALS.

ON NARCOTICS. THE US AND BOLIVIA HAVE A MUTUAL INTEREST IN SUPPRESSING PRODUCTION IN BOLIVIA AND INTERNATIONAL TRAFFIC IN COCAINE. WE UNDERSTAND THE PREOCCUPATION OF THE BOLIVIAN
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AUTHORITIES WITH THE INCREASING USE OF NARCOTICS AMONG BOLIVIAN YOUTH. WE BELIEVE THAT OUR JOINT EFFORTS, BOTH IN POLICE ENFORCEMENT AND WITH RESPECT TO FUTURE AGRICULTURAL DEVELOPMENT AND CROP DIVERSIFICATION IN THE YUNGAS AND CHAPARE HAVE MADE GOOD PROGRESS. THE USG EXPECTS TO CONTINUE AND EXPAND THEIR PROGRAMS IN COOPERATION WITH THE GOB. HOWEVER, WE ARE CONCERNED AT REPORTS OF INCREASED PLANTING OF COCA IN THE COCA GROWING AREAS IN SPITE OF THE PROHIBITION AGAINST ADDITIONAL PLANTING FOLLOWING THE REGISTRATION OF CROPS IN 1977. WE RECOGNIZE THE POLITICAL SENSITIVITY TO THE FARMERS OF RESTRAINING COCA CROPS. IT IS MOST IMPORTANT TO THE SUCCESS OF OUR MUTUAL PROGRAM, HOWEVER, THAT THE GOB CARRY FORWARD AS SOON AS POSSIBLE ITS PLANS TO PREVENT OR DESTROY NEW PLANTINGS BEYOND THOSE REGISTERED IN 1977. (NOTE: I DO NOT AGREE WITH THE GUIDANCE GIVEN IN YOUR WASHINGTON BRIEFING - STATE 128540 - THAT YOU SHOULD INDICATE THAT THE PROPOSED DEVELOPMENT PROGRAM IN COCA GROWING AREAS BE CONDITIONED ON IMPLEMENTATION OF THE DECREE BANNING COCA CULTIVATION ON UNREGISTERED LAND. I BELIEVE IT IS NOT POSSIBLE TO MAKE THIS POSITION EFFECTIVE IN THE REMAINING SIX WEEKS BEFORE ELECTIONS AND I WOULD PREFER TO PURSUE OUR EFFORTS TO IMPROVE ENFORCEMENT EFFORTS ON A DIFFERENT PLANE, WITH THE NEW GOVERNMENT. IT IS

POINTLESS AND BELIEVE THIS SHOULD NOT BE TO TRY AID LEVERAGE AT THIS TIME WITH JIMENEZ.)

ON US CITIZEN PRISONERS. BACKGROUND FOR THE PAST TWO YEARS THE QUESTION OF AMERICAN PRISONERS IN BOLIVIAN JAILS HAS BEEN AN INCREASINGLY IMPORTANT ISSUE BECAUSE OF (1) THE NUMBER OF AMERICANS IMPRISONED IN BOLIVIA, AS MANY AS 43 IN THE SUMMER OF 1977 (NOW THERE ARE 31), (2) THE INORDINATE AMOUNT OF TIME IT HAS TAKEN THE ANTIQUATED BOLIVIAN JUDICIAL SYSTEM TO PROCESS CASES FROM INITIAL ARREST TO COMPLETION OF THE SENTENCING AND APPEAL PROCESS, OFTEN LONGER THAN TWO YEARS; AND (3) INTENSE CONGRESSIONAL INTEREST IN THE PROBLEM, ESPECIALLY FROM SENIOR MEMBERS OF THE SENATE FOREIGN RELATIONS COMMITTEE (SENATOR CHURCH IN PARTICULAR).
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IN THE PAST YEAR THE EMBASSY HAS TAKEN A NUMBER OF STEPS TO HELP ALLEVIATE THE PROBLEM, INCLUDING:
--FACILITATING, WITH THE KNOWLEDGE OF THE BOLIVIAN GOVERNMENT, THE DEPARTURE FROM BOLIVIA OF NINE AMERICANS WHO WERE RELEASED ON PAROLE, ALTHOUGH TECHNICALLY PAROLEES ARE SUPPOSED TO COMPLETE THEIR SENTENCE IN BOLIVIA.
--NEGOTIATING A PRISONER EXCHANGE TREATY WITH BOLIVIA THAT WOULD PERMIT NATIONALS OF EACH COUNTRY ARRESTED AND SENTENCED IN THE OTHER COUNTRY, TO SERVE THEIR SENTENCES IN THEIR OWN COUNTRY.

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--PRODDING THE GOB TO INITIATE A NEEDED REFORM OF ITS
NARCOTICS LAW.

TALKING POINTS

WE APPRECIATE THE PROGRESS MADE IN HANDLING THE PROBLEM
OF US CITIZEN PRISONERS AND THE MINISTER'S COOPERATION. THE
EXCHANGE OF PRISONERS TREATY, WHICH IS BEING CONSIDERED
FOR RATIFICATION BY THE UNITED STATES SENATE THIS WEEK, WILL BE
A BIG STEP FORWARD IN RESOLVING THIS PROBLEM.

WE HOPE THE GOB FOR ITS PART WILL ACT PROMPTLY TO RATIFY
THE TREATY AND TO INSURE THAT MECHANISMS ARE AVAILABLE IN
BOLIVIA FOR ITS IMPLEMENTATION.

TO TAKE FULL ADVANTAGE OF THE TREATY WE HOPE THE GOB
WILL DO ALL IT CAN TO EXPEDITE THE JUDICIAL AND EXECUTIVE
PROCESSING OF AS MANY AMERICAN PRISONERS AS POSSIBLE PRIOR TO THE
JUNE 12 LA PAZ COURT RECESS SO THAT THESE PRISONERS CAN BE
TRANSFERRED TO THE US AS SOON AS THE TREATY BECOMES EFFECTIVE.

WE HOPE THAT THE PRISONERS IN NEED OF DRUG AND PSYCHOLOGICAL
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REHABILITATION WILL BE TREATED IN APPROPRIATE FACILITIES
WITHIN BOLIVIA PRIOR TO TRANSFER TO THE US UNDER THE TREATY.

FINALLY, WE CONSIDER IT OF MAJOR IMPORTANCE THAT THE GOB
MOVE PROMPTLY TO COMPLETE ITS CONSIDERATION OF REFORMS IN THE
NARCOTIC LAW, ESPECIALLY CHANGES THAT WOULD GIVE THE JUDGES SOME
FLEXIBILITY IN DEALING WITH MINOR OFFENDERS AND WOULD EXPEDITE
THE PROCESSING OF ALL PEOPLE THROUGH THE COURTS.

2. LUNCHEON WITH PRESIDENTIAL CANDIDATES AND KEY POLITICIANS.
12:30 P.M.

AIR FORCE GENERAL JUAN PEREDA ASBUN, 45, THE MAN BANZER
PICKED TO RUN FOR PRESIDENT, HAS BEEN THE ELECTION FRONTRUNNER,
BASED ON THE LIKLIHOOD HE WOULD DOMINATE THE RURAL VOTE. HIS
CAMPAIGN AND HIS POLITICAL COALITION ARE WEAK, HOWEVER, AND HE
HAS NOT GENERATED MUCH POPULAR ENTHUSIASM. THIS HAS RAISED
FEARS THAT EVEN IF HE WINS HIS SUPPORT WILL BE TOO THIN TO GOVERN
EFFECTIVELY. LONG REGARDED AS A BANZER PROTEGE, PEREDA WAS AN
EXTREMELY COMPETENT INTERIOR MINISTER UNTIL LAST DECEMBER,
WHEN HE WAS TAPPED TO BECOME AIR FORCE COMMANDER. HE HELD THIS
LATTER POST UNTIL EARLY JANUARY, WHEN HE TOOK LEAVE FROM ACTIVE

DUTY TO LAUNCH HIS PRESIDENTIAL BID. AS AN AIR FORCE GENERAL AND BANZER INTIMATE, PEREDA WAS AT FIRST ABLE TO ACHIEVE ONLY TEPID SUPPORT FROM THE ARMY, WHICH TENDED TO VIEW HIM AS BANZER'S PUPPET. IN LATE MARCH, HOWEVER, BANZER BECAME DISSAFFECTED WITH PEREDA'S WEAKNESS AS A POLITICAL CAMPAIGNER AND BANZER TRIED TO DUMP PEREDA AND MANEUVERED TO POSTPONE ELECTIONS, CAUSING A RIFT BETWEEN THEM. AS A DIRECT RESULT OF THESE DEVELOPMENTS, PEREDA PICKED UP MUCH OF THE MILITARY SUPPORT HE HAD LACKED, PERHAPS MOST SIGNIFICANTLY FROM THE YOUNGER ARMY OFFICERS. IN RECENT WEEKS BANZER AND PEREDA APPEAR TO HAVE PATCHED OVER THEIR DIFFERENCES, ALTHOUGH THERE IS SOME EVIDENCE THAT BANZER

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MAY BE CONTINUING TO MANEUVER AGAINST BOTH PEREDA AND THE ELECTORAL PROCESS. PEREDA'S PRINCIPAL DIFFICULTIES AT THE MOMENT STEM FROM HIS LACK OF POLITICAL EXPERIENCE. A WOODEN AND UNINSPIRING SPEAKER, HE HAS NOT BEEN ABLE TO ATTRACT A MASS FOLLOWING, EVEN IN THE RURAL AREAS, WHICH HAVE TRADITIONALLY BEEN THE "OFFICIAL" CANDIDATE'S STRONGHOLD. PEREDA'S FORTUNES MAY NOW TURN ON WHAT RECENTLY-RETURNED VICTOR PAZ ESTENSSORO DECIDES TO DO. IF PEREDA CAN SECURE PAZ' SUPPORT, HIS ELECTION WOULD BE VIRTUALLY ASSURED. ON THE OTHER HAND, IF PAZ DECIDES TO GO FORWARD WITH HIS OWN CANDIDACY OR TO THROW HIS INFLUENCE ELSEWHERE, PEREDA COULD BE IN SERIOUS TROUBLE.

PEREDA IS A SOFT-SPOKEN, SOMEWHAT SHY INDIVIDUAL. HE WAS VERY COOPERATIVE WITH THE EMBASSY ON NARCOTICS MATTERS AND US CITIZEN PRISONER PROBLEMS WHILE HE WAS INTERIOR MINISTER.

VICTOR PAZ ESTENSSORO (PAHS), 70, BOLIVIA'S PRE-EMINENT IS THE MOST RECENT, CIVILIAN POLITICIAN, BUT PERHAPS THE MOST IMPORTANT ENTRANT INTO THE DEMOCRATIZATION PROCESS. THE FOUNDER OF THE NATIONALIST REVOLUTIONARY MOVEMENT (MNR), BOLIVIA'S LARGEST POLITICAL PARTY, PAZ SERVED AS PRESIDENT OF THE REPUBLIC FROM 1952-56 AND FROM 1960-64. SHORTLY AFTER BEING REELECTED TO A THIRD TERM IN 1964, PAZ WAS DEPOSED AND SENT INTO EXILE BY HIS VICE PRESIDENT, GENERAL RENE BARRIENTOS. DURING HIS FIRST TERM IN OFFICE, PAZ NATIONALIZED BOLIVIA'S LARGEST TIN MINES AND CARRIED OUT AGRARIAN REFORM AND OTHER SWEEPING SOCIAL MEASURES, INCLUDING UNIVERSAL SUFFRAGE. IN 1971, WHILE RESIDING IN LIMA, HE LED THE MNR INTO AN ALLIANCE WITH THE RIGHT-WING BOLIVIAN SOCIALIST FALANGE PARTY; TOGETHER, THEY BACKED THE ARMED REVOLT WHICH OVERTHREW THE LEFTIST REGIME OF PRESIDENT JUAN JOSE TORRES AND BROUGHT HUGO BANZER TO POWER. IN 1974, BANZER OUSTED CIVILIAN POLITICIANS FROM HIS GOVERNMENT, AND PAZ WAS AGAIN EXILED. HE SPENT MOST OF 1976 AND 1977 IN THE US. RETURNING TO BOLIVIA ON MAY 18 HE DREW THE MOST IMPRESSIVE CROWD OF THE PRE-ELECTORAL PERIOD. PAZ HAS MAINTAINED CONTACT WITH REPRESENTATIVES

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OF BANZER AND THE FOUR ANNOUNCED PRESIDENTIAL CANDIDATES, BUT HAS MADE A POINT OF KEEPING ALL HIS POLITICAL OPTIONS OPEN. BECAUSE OF HIS HISTORICAL STATURE, HIS POPULARITY IN THE RURAL AREAS, AND HIS POTENTIAL TO REUNITE THE MAJOR STRAINS OF THE NOW BADLY-FRAGMENTED MNR, HE HAS BECOME, WITH BANZER, THE KEY FIGURE TO

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WATCH IN THE COMING WEEKS. PAZ WAS PROCLAIMED AS CANDIDATE BY HIS MNR FOLLOWERS AT A CONVENTION ON MAY 22, BUT WITH FULL POWER TO WITHDRAW AND THROW HIS SUPPORT TO ANY OTHER CANDIDATE. HE SEEMS TO BE LEANING TOWARDS AN ALLIANCE WITH HERNAN SILES.

HERNAN SILES ZUAZO (SEE-LEES), 65, ORGANIZED AND LED THE ARMED REVOLUTION THAT BROUGHT THE MOVIMIENTO NACIONALISTA REVOLUCIONARIO (MNR) TO POWER IN 1952. THE ILLIGITIMATE SON OF A FORMER PRESIDENT OF BOLIVIA, SILES WAS COFOUNDER OF THE MNR IN 1941. AFTER THE 1952 REVOLUTION SILES SERVED AS VICE PRESIDENT (1952-56) UNDER VICTOR PAZ ESTENSSORO AND THEN WAS ELECTED PRESIDENT (1956-60). HIS ADMINISTRATION WAS MARKED BY LABOR UNREST, FISCAL AUSTERITY AND A REDUCTION IN THE POLITICAL REPRESSION THAT HAD CHARACTERIZED THE FIRST MNR YEARS. HIS RELATIONS WITH THE US WERE GOOD AND THE US WAS MAJOR SUPPORTER OF HIS ECONOMIC AUSTERITY PROGRAM. SILES BEGAN TO MOVE TO THE LEFT AFTER LEAVING THE PRESIDENCY IN 1960. IN 1964,

HE BROKE WITH VICTOR PAZ AND BEGAN A PERIOD OF 17 YEARS OF VOLUNTARY OR ENFORCED EXILE INTERRUPTED ONLY BY RELATIVELY BRIEF VISITS BACK TO BOLIVIA. THEN, IN 1971, HE VIGOROUSLY OPPOSED THE MNR-SUPPORTED COUP THAT OVERTHREW THE LEFTIST ADMINISTRATION OF GENERAL TORRES AND BROUGHT GENERAL BANZER TO POWER.

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HE HAS SINCE MAINTAINED THAT HE WANTS NOTHING TO DO WITH THE POLITICAL ELEMENTS THAT PARTICIPATED IN THAT COUP, ALTHOUGH HE HAS CONTINUED TO NEGOTIATE WITH THE PAZ WING OF THE MNR OVER A POSSIBLE ALLIANCE IN THE UPCOMING ELECTIONS. SILES HAS PUT TOGETHER IN SUPPORT OF HIS OWN PRESIDENTIAL CANDIDACY A COALITION OF LEFTIST POLITICAL PARTIES THAT INCLUDES THE MNR OF THE LEFT (MNRI), A POLITICAL PARTY HE FOUNDED IN 1972, THE MOSCOW BRANCH OF THE BOLIVIAN COMMUNIST PARTY AND THE MIR, A SMALL GROUP OF LEFTIST INTELLECTUALS WHO SPLIT OFF FROM THE CHRISTIAN DEMOCRATIC PARTY IN THE EARLY 1970'S AND ADVOCATED THE USE OF VIOLENCE TO ACHIEVE POWER, BUT WHO NOW CLAIM TO HAVE ABANDONED THEIR VIOLENT WAYS FOR THE BALLOT BOX. UNTIL VICTOR PAZ ENTERED THE RING, SILES WAS THE LEADING OPPONENT TO PEREDA, BUT HE WAS UNLIKELY TO WIN ON HIS OWN. A PAZ/ SILES ALLIANCE WOULD BE A REAL THREAT TO PEREDA. NOTE: SILES MAY BE OUT OF TOWN DURING THE LUNCHEON. IF SO, HE SAID HE WOULD SEND A REPRESENTATIVE.)

LUIS ADOLFO SILES SALINAS (SEE-LEES), 52, IS HEAD OF BOLIVIA'S PERMANENT ASSEMBLY ON HUMAN RIGHTS (PAHR), HALF-BROTHER OF PRESIDENTIAL CANDIDATE HERNAN SILES ZUAZO. IN RECENT MONTHS HE HAS TRIED TO ACT AS A COORDINATOR FOR MODERATE OPONENTS OF THE BANZER REGIME. ELECTED VICE PRESIDENT OF BOLIVIA IN 1966, SILES SUCCEEDED BRIEFLY TO THE PRESIDENCY WHEN RENE BARRIENTOS DIED IN A HELICOPTER CRASH. AFTER SIX MONTHS, HOWEVER, SILES WAS SUPPLANTED BY ARMED FORCES COMMANDER ALFREDO OVANDO CANDIA. ALTHOUGH OFTEN CHARACTERIZED AS A POLITICAL CONSERVATIVE AND A "MAN OF THE RIGHT," SILES HAS USED HIS POSITION AS PRESIDENT OF THE PAHR TO CREATE A MODERATE IMAGE AND WIN SUPPORT ON THE LEFT. SILES EARNED PLAUDITS IN OPPOSITION RANKS FOR HIS DRAMATIC PARTICIPATION IN THE HUNGER STRIKE WHICH FORCED THE BANZER GOVERNMENT TO GRANT AN UNCONDITIONAL POLITICAL AMNESTY LAST JANUARY. MORE RECENTLY, HE HAS USED HIS LEGAL

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TALENTS TO DEFEND MINERS AND STUDENTS IN WHAT HAVE AMOUNTED TO POLITICAL TEST CASES IN THE BOLIVIAN COURTS. DESPITE HIS REPUTATION FOR INTEGRITY AND HIS STANDING UP TO THE BANZER REGIME ON HUMAN RIGHTS, SILES IS NOT CONSIDERED A STRONG PERSON AND HIS

PERSONAL POLITICAL FOLLOWING IS SMALL. HE HAS VERY LITTLE CHANCE OF EMERGING AS A CANDIDATE, BUT HE WILL BE A VOCAL CHAMPION OF HONEST ELECTIONS.

RENE BERNAL ESCALANTE (BER-NAL) , RETIRED GENERAL, WAS FORMALLY PROCLAIMED FOR THE PRESIDENCY BY THE CHRISTIAN DEMOCRATIC PARTY (PDC) ON MARCH 26. A FORMER MINISTER OF RUAL AFFAIRS UNDER PRESIDENT BARRIENTOS, BERNAL SERVED LOYALLY FOR THREE YEARS, BUT WITH LITTLE DISTINCTION, AS PRESIDENT BANZER'S DEFENSE MINISTER BEFORE BEING FORCED INTO RETIREMENT IN DECEMBER 1977. THIS CAUSED A RESENTMENT TOWARDS BANZER WHICH MOTIVATED HIM TO DECLARE HIS CANDIDACY. HE HAS RESISTED EFFORTS BY BANZER TO PERSUADE HIM TO WITHDRAW. SQUARE-SET AND SWARTHY, BERNAL IS OF MESTIZO EXTRACTION AND SPEAKS QUECHUA AND SOME AYMARA, BOLIVIA'S TWO PRINCIPAL INDIAN LANGUAGES. ALTHOUGH HIS POLITICAL PARTY BASE IS NARROW, BERNAL HAS STRONG SUPPORT IN THE ORURO DEPARTMENT (WHERE HE WAS BORN) AND SOME FOLLOWING AMONG COCHABAMBA VALLEY SMALL FARMERS. BERNAL ALSO HAS SUPPORT IN THE MILITARY, BUT CHIEFLY FROM THOSE OFFICERS WHO SEE HIM AS A FOIL TO BANZER AND JUAN PEREDA. A DEVOUT CATHOLIC, BERNAL CAMPAIGNS WITH HIS WIFE OF 33 YEARS (SHE SPEAKS AYMARA FLUENTLY) AND PLUMPS FOR HONESTY AND MORALITY IN GOVERNMENT. WITH IS STRAIGHTFORWARD, HOMESPUN PERSONAL STYLE, HE HAS PROVED A MROE EFFECTIVE CAMPAIGNER THAN MANY HAD ANTICIPATED. HOWEVER, HIS POLITICAL ORGANIZATION IS TOO SMALL TO GIVE HIM A CHANCE OF WINNING, AND HIS MAIN POLITICAL SIGNIFICANCE IS THAT HE DRAINS RURAL SUPPORT FROM PERED.

RETIRED COLONEL JOSE PATINO AYOROA- ADDRESSED AS CORONEL (PAH-TEEN-YO), 56, IS THE MOST RECENTLY DECLARED OF BOLIVIA'S FOUR PRESIDENTIAL CANDIDATES. BACKED BY THE RIGHT-WING FACTION OF THE CONSERVATIVE BOLIVIAN SOCIALIST FALANGE PARTY (FSB), PATINO
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IS A CRITIC OF PRESIDENT BANZER'S SEA OUTLET DIPLOMACY, WHICH HE BELIEVES WAS CONDUCTED BEHIND THE PEOPLE'S BACK, AND A MEMBER OF THE "TOPATER" GROUP OF RETIRED MILITARY OFFICERS, WHICH HAS CALLED FOR THE ARMED FORCES TO WITHDRAW FROM GOVERNMENT AND RETURN TO THE BARRACKS.

TRAINED AS AN ARMY ENGINEER, PATINO SERVED AS MINISTER OF PETROLEUM AND MINES UNDER PRESIDENT BARRIENTOS AND AS HOUSING MINISTER UNDER PRESIDENT BANZER. IN 1974, HE WAS RELEIVED OF THIS LATTER PORTFOLIO AND FORCIBLY RETIRED FROM ACTIVE SERVICE

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FOR ALLEGEDLY CONSPIRING AGAINST THE BANZER GOVERNMENT. IN 1976, PATINO WAS EXILED TO CHILE, WHERE HE REMAINED UNTIL FEBRUARY 1978. AUTHORITARIAN, BUT PERSONALLY HONEST, PATINO HAS A REPUTATION FOR COMPETENCE IN BOTH MILITARY AND CIVILIAN CIRCLES BUT HE CANNOT SEEM TO RESIST PLOTTING.

THE LEADER OF THE FSB GROUP BACKING PATINO IS MARIO GUTIERREZ, A CONGENITAL PLOTTER WHO PLAYED A MAJOR ROLE IN THE COUP WHICH PUT BANZER IN POWER IN 1971. GUTIERREZ HAS BEEN A CLOSE ASSOCIATE OF BANZER'S EVER SINCE, BUT THE BANZER-GUTIERREZ RELATIONSHIP AT THIS MOMENT IS NOT CLEAR. THERE IS SUSPICION THAT THE GUTIERREZ-PATINO ALLIANCE IS DESIGNED TO WEAKEN JUAN PEREDA AND JUSTIFY POSTPONING ELECTIONS OR DEVELOP A BASE FOR A COUP, EITHER BEFORE OR AFTER ELECTIONS. PATINO HAS NO CHANCE OF WINNING THE ELECTION, AND HIS (AND GUTIERREZ') COUP INCLINATIONS CAST DOUBT ON THE SERIOUSNESS OF HIS CANDIDACY.

WE WOULD LIKE TO CONVEY THE FOLLOWING POINTS DURING A LUNCHEON DIALOGUE.

A. THE UNITED STATES IS FOLLOWING WITH GREAT INTEREST THE BOLIVIAN EFFORT TO RETURN TO CONSTITUTIONAL, CIVILIAN GOVERNMENT.
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WE RECOGNIZE THAT THIS WILL BE A COMPLICATED AND DIFFICULT TASK WHICH WILL REQUIRE THE COOPERATION OF ALL THE ELEMENTS OF THE BOLIVIAN SOCIETY AND ALL THE WISDOM ITS LEADERS CAN MUSTER.

B. WE CONSIDER THIS A BOLIVIAN MATTER, TO BE DECIDED BY BOLIVIAN LEADERS, IN DIRECTIONS WHICH CORRESPOND TO THE SPECIAL

CHARACTERISTICS AND PROBLEMS OF BOLIVIAN SOCIETY. THE US DOES NOT INTEND TO INTERVENE IN BOLIVIA'S INTERNAL AFFAIRS NOR DO WE SUPPORT ANY PARTICULAR CANDIDATE OR HAVE A PREFERRED CANDIDATE. WE BELIEVE THE US CAN MAINTAIN MUTUALLY BENEFICIAL RELATIONS WITH WHOMEVER EMERGES AS THE WINNER IN THE JULY ELECTIONS.

C. WE DO SUPPORT THE ELECTORAL PROCESS AND WE INTEND TO SUPPORT THE NEWLY ELECTED BOLIVIAN GOVERNMENT:

IN THE ECONOMIC SPHERE.

WE RECOGNIZE THAT DEMOCRACY HAS ITS COSTS. THE ANNOUNCEMENT OF ELECTIONS HAS CAUSED SOME CAPITAL FLIGHT AND POSTPONEMENT OF INVESTMENT PLANS AND THE REOPENING OF LABOR UNION ACTIVITY COULD RESULT IN SOME INFLATIONARY WAGE DEMANDS FROM LABOR. CONSEQUENTLY, THE ELECTED GOVERNMENT WILL BE FACED WITH SOME DIFFICULT ECONOMIC PROBLEMS AND DECISIONS. WE INTEND TO DO WHAT WE CAN TO ASSIST.

--WE ARE PRESENTLY NEGOTIATING A \$75 MILLION FIVE-YEAR PL 480 WHEAT PROGRAM, WITH WHEAT DELIVERIES SCHEDULED TO BEGIN IN LATE JULY OR EARLY AUGUST. TO THE EXTENT THAT THE PESO GENERATED BY WHEAT SALES ARE USED FOR AGREED UPON DEVELOPMENT PROJECTS, THERE WILL BE NO REPAYMENT REQUIRED; I.E. IT WILL BE A GRANT PROGRAM.

--WE ARE INCREASING THE AUTHORIZED LEVEL OF OUR BILATERAL AID PROGRAM TO \$50 MILLION IN THE FISCAL YEAR WHICH END SEPT-CONFIDENTIAL

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EMBER 30, 1978, UP FROM AN ORIGINALLY AUTHORIZED \$20 MILLION. WE HOPE TO MAINTAIN OUR AID PROGRAM (WHICH WILL BE DIRECTED AT THE POOREST LEVELS OF SOCIETY) AT AN INCREASED LEVEL.

--WE HOPE TO SEE THE REESTABLISHMENT OF ACTIVITIES BY THE US OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) IN ORDER TO FOSTER PRIVATE INVESTMENT IN BOLIVIA, INCLUDING FINANCING BY US PRIVATE BANKS.

--WE INTEND TO SUPPORT THE PROGRAMS IN BOLIVIA OF THE WORLD BANK AND THE INTER-AMERICAN DEVELOPMENT BANK.

--TIN - WE UNDERSTAND BOLIVIA'S PREOCCUPATION WITH POSSIBLE US SALES OF STOCKPILED TIN SINCE TIN MAKES UP ALMOST 50 PCT OF BOLIVIAN EXPORTS. WE ARE CONCERNED ABOUT THE DEFICIT IN WORLD TIN PRODUCTION, AND THE RELATIVELY LOW INVESTMENT IN NEW TIN PRODUCTION. IF US STOCKPILE SALES ARE AUTHORIZED WE WILL ABIDE BY OUR COMMITMENT TO CONSULT WITH THE INTERNATIONAL TIN COUNCIL AND BILATERALLY WITH BOLIVIA.

IF THE CANDIDATES ASK FOR A US COMMITMENT NOT TO SELL TIN
IN 1978, SUGGEST YOU REPLY THAT THE MARKET AVAIL-
ABILITY OF TIN IS THE MOST IMPORTANT FACTOR. IF A SCARCITY OF
TIN DEVELOPS OF OUR INDUSTRIAL USERS, IT WOULD BE UNREASONABLE
FOR US TO REFUSE TO SUPPLY THEM WITH TIN FROM OUR STOCKPILE.
THE PRESENT HISTORICALLY HIGH
PRICE AND PREDICTIONS OF A PRODUCTION DEFICIT OF 15,000 METRIC
TONS IN 1978 INDICATES THAT US TIN SALES, IF THEY OCCUR, CAN
PROBABLY BE HANDLED IN A FASHION WHICH SATISFIES OUR INDUSTRIAL
NEEDS, BUT DOES NOT SIGNIFICANTLY HARM PRICES FOR PRODUCING
NATIONS.

--FINALLY, A WORD ON THE IMF. WE HAVE FOLLOWED BOLIVIA'S
ECONOMIC SITUATION CLOSELY AND WE BELIEVE THAT IF PRESENT TRENDS

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CONTINUE, THE NEW GOVERNMENT WILL BE FORCED TO UNDERTAKE A
STABILIZATION PROGRAM IN COOPERATION WITH THE IMF. WE WILL
ENCOURAGE THE IMF TO TAKE INTO ACCOUNT THE PROBLEMS
THE NEW GOVERNMENT WILL FACE SO THAT THE NECESSARY MEASURES
CAN BE TAKEN IN A MANNER WHICH IS POLITICALLY PALATABLE.
URGE THAT ALL THE CANDIDATES BEGIN TO CINSIDER THIS PROBLEM
AND WHAT ECONOMIC POLITIES THEY WILL FOLLOW IF ELECTED.

ON THE POLITICAL SIDE.

--THE US IS INTERESTED IN THE MAINTENANCE OF PEACE AND
TRANQUILITY IN THE REGION. WE HOPE THAT THE REGION'S NATIONS
WILL SHOW RESTRAINT WITH REGARD TO WEAPONS PURCHASES AND ACTIONS
WHICH COULD INCREASE TENSIONS OR THE POSSIBILITY OF WAR. IN

OUR VIEW, THE POLICY OF VERY LIMITED ARMS EXPENDITURES WHICH THE PRESENT BOLIVIAN GOVERNMENT HAS FOLLOWED IS THE RIGHT ONE FOR BOLIVIA. FOR OUR PART, WE INTEND TO CONTINUE A MODERATE SECURITY ASSISTANCE PROGRAM WITH BOLIVIA IF THAT IS WHAT THE NEW GOVERNMENT WANTS, WITH EMPHASIS ON TRAINING, EXCHANGE PROGRAMS, AND MODERATE FMS CREDITS, WHICH WE HOPE WOULD BE USED PRINCIPALLY FOR PEACEFUL PURPOSES, SUCH AS CIVIC ACTION PROGRAMS.

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--WE ALSO UNDERSTAND THE ECONOMIC AND POLITICAL IMPORTANCE TO BOLIVIA OF ACHIEVING A SEA OUTLET. WE HAVE ENCOURAGED A NEGOTIATED SOLUTION ACCEPTABLE TO THE THREE COUNTRIES CONCERNED AND WE HOPE THAT CONDITIONS WILL PERMIT THE RESUMPTION OF NEGOTIATIONS WITH CHILE AND PERU ON THIS IMPORTANT QUESTION.

A FINAL BUT IMPORTANT POINT

OBTAININGLY, THERE WILL BE LOSERS AS WELL AS WINNERS IN THE UPCOMING ELECTIONS. WE HOPE THAT, FOR THE GOOD OF BOLIVIA'S FUTURE, WINNERS AND LOSERS WILL COOPERATE AFTER ELECTIONS TO MAINTAIN AN OPEN AND PROGRESSIVE ATMOSPHERE WHICH WILL FOSTER STABLE CIVILIAN INSTITUTIONS, INCLUDING POLITICAL PARTIES, AND WHICH WILL PERMIT ECONOMIC AND SOCIAL DEVELOPMENT IN WHICH ALL ELEMENTS OF SOCIETY CAN PARTICIPATE. WE LOOK FORWARD TO COOPERATING WITH THE NEW BOLIVIA GOVERNMENT ACROSS THE FULL RANGE OF OUR MUTUAL INTERESTS. ONE ITEM OF SPECIAL INTEREST TO THE USG IS THE SUPPRESSION OF ILLEGAL NARCOTICS TRAFFIC. WE HOPE TO CARRY ON WITH THE NEW GOVERNMENT THE PROGRAM OF NARCOTICS ENFORCEMENT AND CROP DIVERSIFICATION NOW UNDERWAY.

VISIT WITH PRESIDENT BANZER, MAY 26, 5:00 P..

ARY GENERAL HUGO BANZER SUAREZ (AGE 53) BECAME PRESIDENT IN A 1971 COUP BACKED BY BOLIVIA'S MAJOR POLITICAL PARTIES, THE MNR AND THE FSB. HE DISSOLVED THE COALITION GOVERNMENT IN 1974 FOLLOWING A COUP ATTEMPT FORMED A GOVERNMENT OF THE ARMED FORCES. AT THAT TIME HE PUT POLITICAL PARTIES AND LABOR UNIONS IN RECESS. HE HAS CONSISTENTLY OUTSMARTED, BOUGHT OFF OR EXILED HIS MILITARY AND CIVILIAN RIVALS, BUT OVER TIME, HIS PRESTIGE AND INFLUENCE HAVE DECLINED. BOLIVIA HAS ENJOYED UNPRECEDENTED ECONOMIC GROWTH UNDER HIS GOVERNMENT, MAINLY DUE TO HIGH TIN AND PETROLEUM PRICES AND A HIGH LEVEL OF

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FOREIGN FINANCING. BANZER IS A SHREWD, WILEY POLITICIAN, BUT

HIS IS NOT A CHARISMATIC FIGURE. HIS ADMINISTRATION, WHILE PROGRESSIVE IN MANY RESPECTS, IS NOT KNOWN FOR ITS HONESTY. MAINLY WITH IDEA OF PRESERVING HIS POLITICAL POWER, HE ANNOUNCED IN NOVEMBER 1977 THAT ELECTIONS WOULD BE HELD IN JULY 1978, EXPECTING THAT HE WOULD UNDOUBTEDLY FORGE MILITARY AND CIVILIAN SUPPORT FOR HIS OWN PRESIDENTIAL CANDIDACY. NEITHER THE MILITARY NOR CIVILIAN POLITICAL PARTIES WERE ENTHUSIASTIC, HOWEVER, AND BANZER THEN PICKED HIS CLOSEST ASSOCIATE, INTERIOR MINISTER AND AIR FORCE GENERAL JUAN PEREDA ASBUN TO BE A CANDIDATE WHOM BANZER THOUGHT HE COULD DOMINATE FROM THE POSITION OF COMMANDER OF THE ARMED FORCES. BUT A DIVISION HAS OCCURRED BETWEEN BANZER AND PEREDA AND THE BOLIVIAN MILITARY HAS DECIDED THAT IT IS TIME FOR BANZER TO DEPART. THUS, BANZER UNEXPECTEDLY IS FACING THE END OF HIS SEVEN YEAR DOMINANCE OF BOLIVIAN POLITICS. WE THINK HE WOULD STILL TRY TO PRESERVE HIS POWER IF HE COULD. BUT HE ALSO HAS AN IMAGE TO PRESERVE--THE PERSON WHO BROUGHT STABILITY TO BOLIVIA, WHO PRESIDED OVER UNPRECEDENTED ECONOMIC PROGRESS AND WHO RAISED BOLIVIA'S FOREIGN IMAGE FROM A LAUGHING STOCK TO THAT OF A STABLE, MODERATE AND RELATIVELY WELL GOVERNED AND RESPECTED NATION. HE WISHES TO PRESERVE THIS IMAGE AND TO INSURE A BASIC CONTINUITY IN THE POLICIES HE HAS FOLLOWED. TRUE TO HIS POLITICAL STYLE, BANZER APPEARS TO BE FOLLOWING TWO TRACKS SIMULTANEOUSLY:

--HE IS PUBLICLY SUPPORTING ELECTIONS AND THE CANDIDACY OF JUAN PEREDA.

--AT THE SAME TIME, HE APPEARS TO BE SUPPORTING EFFORTS WHICH WEAKEN PEREDA'S CAMPAIGN AND SEARCHING FOR AN EXCUSE TO POSTPONE OR CANCEL ELECTIONS. HE IS NOT ABOVE SUCH DRAMATIC EFFORTS AS A PHONY COUP ATTEMPT OR STIMULATION OF VIOLENCE AND THERE CONTINUE TO BE SIGNS THAT HE MAY BE PLANNING SOME SUCH EVENT.

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BUT BANZER'S OPTIONS HAVE NARROWED.

-- THE MILITARY AS OF APRIL 5 DECIDED TO SUPPORT ELECTIONS AND PEREDA'S CANDIDACY. THIS WAS A CLEAR REBUFF TO BANZER'S EFFORTS TO SEEK ELECTION POSTPONEMENT. YOUNGER MILITARY

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OFFICERS TELL US THAT A BANZER EFFORT NOW TO POSTPONE ELECTIONS
WILL STIMULATE A MILITARY COUP AGAINST HIM.

--BALANCE OF PAYMENTS DIFFICULTIES WILL STRIKE BOLIVIA
IN LATE 1978 AND WHOEVER IS IN GOVERNMENT WILL NEED FOREIGN
ASSISTANCE TO PRESERVE THE ECONOMY. BANZER RECOGNIZED THAT THE
US, OTHER FOREIGN POWERS, AND THE IMF WILL PLAY AN IMPORTANT
ROLE IN AN EFFORT TO STABILIZE THE ECONOMY.

--THE MILITARY CANDIDATE--PEREDA--IS PUSHING FORWARD
DESPITE THE HINDRENCES BANZER IS PLACING IN HIS WAY.

AS JULY 9 APPROACHES, BANZER SEEMS MORE AND MORE RECONCILED
TO THE FACT THAT HE HAS LITTLE ALTERNATIVE TO PERMITTING
ELECTIONS TO OCCUR. YOUR VISIT TO BOLIVIA, AND YOUR CONVER-
SATION WITH BANZER, WILL INFLUENCE WHETHER IN THE END, HE
DECIDES TO GIVE UP POWER WITH DIGNITY AFTER ELECTIONS, OR
WHETHER HE WILL MAKE A LAST DESPARATE EFFORT TO MAINTAIN HIM-
SELF IN POWER.

IN YOUR CONVERSATION WITH BANZER I SUGGEST YOU
--EXPRESS OUR APPRECIATION FOR HIS SUPPORT OF THE PANAMA
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CANAL TREATIES;
--CONGRATULATE HIM ON:
THE REESTABLISHMENT ON NATIONAL STABILITY DURING THIS
PERIOD;
THE REMARKABLE ECONOMIC PROGRESS BOLIVIA HAS ACHIEVED
DURING HIS SEVEN YEARS AS PRESIDENT;
THE DRAMATIC IMPROVEMENT IN HUMAN RIGHTS OVER THE LAST

SIX MONTHS;

HIS COURAGEOUS DECISION TO RETURN THE NATION TO CONSTITUTIONAL CIVILIAN GOVERNMENT THROUGH ELECTIONS ON JULY 9. YOU SHOULD EXPRESS YOUR UNDERSTANDING OF THE DIFFICULTIES INVOLVED IN THE ELECTION PLAN, BUT STRESS THE WISDOM OF THE DECISION. BANZER CONTINUALLY LAUNCHES FEELERS AS TO HOW THE US MIGHT RESPOND TO POSTPONEMENT OF JULY 9 ELECTIONS. IF HE STARTS TALKING ABOUT CHAOS AND SUBVERSION, THEREFORE, YOU MUST RESPOND WITH A REITERATION OF OUR VIEWS THAT THE PROCESS IS DIFFICULT, WE KNOW, BUT WE STRONGLY HOPE FOR ITS SUCCESSFUL COMPLETION.

YOU SHOULD SOLICIT BANZER'S VIEWS ON HOW HE FORESEES THE SITUATION UP TO AND AFTER ELECTIONS, AND WHAT MAJOR PROBLEMS HE BELIEVES WILL CONFRONT THE NEW GOVERNMENT.

ON ARMS AND PURCHASES AND REGIONAL STABILITY

--COMMEND BANZER'S POLICY UP TO NOW OF TIGHTLY RESTRAINING WEAPONS PURCHASES. INDICATE THAT WE ARE INTERESTED IN THE PRESERVATION OF PEACE IN THE REGION, AND THAT WE HOPE THIS CAN BE ACCOMPLISHED BY DIPLOMATIC MEANS INCLUDING INTERNATIONAL FORA, SUCH AS THE OAS UNDER THE RIO TREATY AND THE UN. TELL HIM WE HOPE TO ACHIEVE THE COOPERATION OF OTHER ARMS PRODUCERS TO RESTRAIN WEAPONS SALES IN THE REGION.

--ADD THAT AN ELECTED DEMOCRATIC GOVERNMENT WILL BE IN A
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STRONGER POSITION TO COUNT ON INTERNATIONAL SUPPORT IN
EVENT OF HOSTILITIES IN THE REGION.

ON BOLIVIA'S SEA OUTLET ASPIRATIONS

--YOU SHOULD REITERATE THE US HOPE THAT CONDITIONS WILL PERMIT THE REOPENING OF NEGOTIATIONS RESULTING IN A SETTLEMENT WHICH IS MUTUALLY SATISFACTORY TO THE THREE PARTIES INVOLVED.

ON US CITIZEN PRISONERS

--WE APPRECIATE THE PRESIDENT'S PERSONAL INTERVENTION TO ACHIEVE MORE RAPID EXECUTIVE AND JUDICIAL TREATMENT OF US CITIZENS ARRESTED ON NARCOTICS CHARGES. THE SIGNING OF AN EXCHANGE OF PRISONERS TREATY, NOW BEFORE THE US SENATE FOR RATIFICATION, IS A MAJOR STEP TOWARDS SOLVING THE PROBLEM.

--WE HOPE THE GOB FOR ITS PART WILL PROMPTLY RATIFY THE
TREATY.

--WE HOPE THE US PRISONER CAN BE RAPIDLY PROCESSED SO
THEY CAN BE TRANSFERRED AS SOON AS POSSIBLE AFTER THE TREATY

TAKES EFFECT.

--WE ENCOURAGE SOME ADDITIONAL EFFORTS TO RESOLVE
THE PROBLEM, INCLUDING PROMPT ADOPTION OF AMENDMENTS NOW UNDER
STUDY OF THE NARCOTICS LAW, AND EFFORTS TO HASTEN JUDICIAL
TREATMENT OF PRISONER'S CASES.

ON BOLIVIA'S ECONOMY

--TELL HIM WE RECOGNIZE THAT BOLIVIA WILL FACE SOME
DIFFICULT ECONOMIC PROBLEMS BEGINNING IN THE SECOND HALF OF
1978, ESPECIALLY IN THE BALANCE OF PAYMENTS.

--INDICATE THAT WE INTEND TO DO WHAT WE CAN TO ASSIST IN
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OVERCOMING THESE PROBLEMS INCLUDING:

--A \$75 MILLION FIVE-YEAR PL 480 TITLE III PROGRAM, WHICH
IS NOW IN THE LAST STAGES OF NEGOTIATIONS AND SHOULD BE READY
TO SIGN BEFORE HE LEAVES THE PRESIDENCY.

--THE AUTHORIZED LEVEL OF USAID PROGRAMS FOR THE FISCAL

YEAR ENDING SEPTEMBER 30, 1978 HAS BEEN INCREASED TO \$50
MILLION FROM AN ORIGINALLY PLANNED \$20 MILLION.

--WE HOPE TO SEE THE REESTABLISHMENT OF PROGRAMS BY THE
US OVERSEAS PRIVATE INVESTMENT CORP (OPIC) TO PROMOTE US INVEST-
MENT AND BANK FINANCING FOR BOLIVIA.

--FINALLY, EXPRESS OUR WILLINGNESS TO COOPERATE WITH
INTERNATIONAL FINANCIAL INSTITUTIONS, INCLUDING THE IMF TO
PROVIDE SUPPORT FOR BOLIVIA'S ECONOMY ON THE BASIS THAT WILL
ALLOW THE NEWLY ELECTED GOVERNMENT FIRMLY TO ESTABLISH ITSELF.

ON TIN

--THE FINAL OUTCOME OF THE BILL BEFORE CONGRESS TO
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AUTHORIZE SALE OF GSA STOCKPILED TIN CANNOT BE PREDICTED. IT
APPEARS THAT THE AMOUNT OF TIN AUTHORIZED FOR SALE WILL BE LESS
THAN ORIGINALLY PROPOSED.

--IN ANY EVENT, WE HAVE AGREED TO HOLD BILATERAL CON-
SULTATIONS WITH BOLIVIA BEFORE DETERMINING THE PROGRAM
FOR ACTUAL SALES OF TIN.

--WE HOPE THAT BOLIVIA WILL CONTINUE TO SEE THE VALUE OF
PARTICIPATING IN THE INTERNATIONAL TIN COUNCIL.
END PART II
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